

Message Text

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PAGE 01 WELLIN 04412 210526Z
ACTION EA-12

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UNCLAS WELLINGTON 04412

FOR PGM/P, PGM/R, VOA, STATE FOR A/NZ, CINCPAC FOR USICA
ADVISOR

EO 11652: N/A
SUBJECT: MEDIA REACTION DOLLAR FALL

1. THE CHRISTCHURCH "PRESS", AUGUST 19, IN ITS SECOND EDITORIAL, UNDER THE HEADING "THE DECLINING AMERICAN DOLLAR," COMMENTED:
 2. "PRESIDENT CARTER HAS APPARENTLY DECIDED THAT SOMETHING HAS TO BE DONE ABOUT THE DECLINE IN THE VALUE OF THE AMERICAN DOLLAR. ONE SMALL EFFECT OF THE RECENT CONFUSION IN OVERSEAS CURRENCY WAS THE NEW ZEALAND RESERVE BANK'S SUSPENSION OF FOREIGN CURRENCY DEALINGS OTHER THAN THOSE IN THE AMERICAN DOLLAR. THIS HAS BEEN A MINOR INCONVENIENCE COMPARED WITH THE DISLOCATIONS IN TRADE AND FINANCE AROUND THE WORLD.
 3. "PRESIDENT CARTER HAS BEEN UNDER INTERNATIONAL AND DOMESTIC PRESSURE TO STOP THE DOLLAR DECLINING FURTHER. THE INTERNATIONAL PRESSURE COMES FROM WORLD TRADERS AND PARTICULARLY FROM THE OIL-EXPORTING COUNTRIES...
 4. "THE CLASSICAL RESPONSE TO A DECLINING CURRENCY WOULD
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- PAGE 02 WELLIN 04412 210526Z
- BE SUCH TIGHTER MONETARY POLICIES AS INCREASING INTEREST RATES. PRESIDENT CARTER MAY BE FORCED TO APPLY THESE ANSWERS, AND HE MAY, AS A RESULT, ATTRACT A CERTAIN AMOUNT OF INVESTMENT BACK TO THE UNITED STATES.
5. "ANOTHER WAY TO FORCE THE UNITED STATES TO BRING ITS TRADE INTO BALANCE WOULD BE TO REDUCE IMPORTS. UNLESS

AMERICAN IMPORT CUTS WERE RESTRICTED TO OIL, THE EFFECTS
AROUND THE WORLD WOULD BE DISASTROUS...

6. "A TIGHTER AMERICAN ECONOMY WOULD BE BAD NEWS FOR
NEW ZEALAND. IT IS AS WELL FOR THIS COUNTRY THAT THE
UNITED STATES ADMINISTRATION HAS SHOWN SUCH AN AWARENESS
OF THE IMPACT OF THE AMERICAN ECONOMY ON WORLD TRADE. YET
WHILE THE UNITED STATES CONTINUES TO HAVE SUCH A DEFICIT
IN ITS EXTERNAL TRADE, STABLE INTERNATIONAL MARKETS, WHICH
COULD LEAD TO A GROWTH IN WORLD TRADE, SEEM UNLIKELY.
UNSTABLE INTERNATIONAL MARKETS WILL PROBABLY LEAD TO CALLS
FOR PROTECTIVE TRADE MEASURES WHICH, IF TAKEN, WOULD
PLUNGE THE WORLD INTO A DEEP DEPRESSION." ANDERSON

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